

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 ERDA-07 AID-05 CEA-01 CIEP-02 COME-00 EB-07

FEAE-00 FPC-01 INT-05 OMB-01 SAM-01 OES-05 STR-04

TRSE-00 FRB-01 ACDA-10 AGR-10 /138 W

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R 150752Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9945

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY KABUL

AMEMBASSY BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 9472

E.O. 11652: N/A

TAGS: EGEN, PFOR, IR, IN

SUBJECT: SHAH OF IRAN INTERVIEW

SUMMARY: IN INTERVIEW WITH TIMES OF INDIA REPORTER THAT APPEARED IN NEWSPAPER'S JULY 14 EDITRN, SHAH OF IRAN DISCUSSED, INTER ALIA, THE NEED FOR SOMEWHAT HIGHER OIL PRICES, ECONOMIC COOPERATION WITH INDIA AND DEVELOPMENTS IN PERSIAN GULF AREA. TEXT OF TIMES STORY BEING POUCHED TO ADDRESSEE POSTS. END SUMMARY.

1. SHAH REPORTEDLY TOLD TIMES OF INDIA JOURNALIST IN JULY 12 INTERVIEW THAT HE IS CONFIDENT THAT OIL PRICES WILL BE REVISED UPWARDS BY END OF THIS SEPTEMBER. SHAH SAID OPEC WAS NOT INSISTING ON FULL NEUTRALIZATION OF REAL DECLINE OF 30-35 PERCENT IN ITS UNCLASSIFIED

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PURCHASING POWER AS A RESULT OF INFLATION IN INDUSTRIAL COUNTRIES.

IRAN WILL NOT ASK FOR A PRICE INCREASE OF DOLS4 PER BARREL BECAUSE "IT MAY HAVE A DISTURBING IMPACT ON WORLD ECONOMY." HE NOTED THAT IRANIAN OIL REVENUES MAY DECLINE BY DOLS4 BILLION THIS YEAR (COMPARED TO 1974), BUT THIS WOULD NOT INTERFERE WITH IRAN'S PREVIOUS COMMITMENTS TO INDIA AND OTHER LDC'S. HOWEVER, HE STATED THAT IRAN WILL NOT BE IN A POSITION TO PROMISE ADDITIONAL ASSISTANCE UNLESS OIL PRICES ARE INCREASED.

2. THE SHAH CONCEDED THE POSSIBILITY OF FURTHER DECLINES IN WORLD DEMAND FOR OIL AS RESULT OF ANOTHER PRICE HIKE, BUT OPEC COUNTRIES WERE ALREADY DISCUSSING MORE PRODUCTION CUTBACKS. HE STATED THAT OPEC MEMBERS WHICH HAVE SMALL POPULATIONS BUT LARGE REENUES SHOULD ACCEPT LARGER OUTPUT REDUCTIONS THAN IRAN. TO A QUESTION ABOUT THE POSSIBILITY OF HIGH OIL PRICES INJURING WESTERN ECONOMIES AND THUS HELPING THE COMMUNIST BLOCK, HE REPORTEDLY ASKED: 2WHAT'S THE DIFFERENCE BETWEEN EXPLOITATION BY THE WESTERN WORLD AND TAKEOVER BY THE COMMUNISTS?"

3. THE SHAH VIEWED THE OIL EXPORTERS AND LDC'S IMPORTING OIL AS "IN THE SAME BOAT." HE INSISTED THAT RAW MATERIAL PRICES MUST BE DISCUSSED WITH OIL PRICES WHEN DIALOGUE WITH INDUSTRIAL COUNTRIES IS RESUMED. HE CONCEDED THAT OPEC PROGRAM OF FINANCIAL ASSISTANCE TO LDCS HAD NOT BEEN FULLY IMPLEMENTED; IMPLICITLY AGREED THAT MORE SHOULD BE DONE; AND REITERATED HIS PROPOSAL OF AGENCY TO LOAN DOLS3 BILLION A YEAR FROM OPEC AND INDIALICOUNTRIES TO LDCS, DESPITE OBJECTIONS THAT "ONE OR TWO OF THE MOST DEVELOPED COUNTRIES MAY HAVE ABOUT IT." HE THOUGHT SUCH AN AGENCY WOULD BE COMPATIBLE WITH WORLD BANK'S NEW THIRD WORLD FACILITY.

4. THE SHAH INDICATED THERE WERE "VAST POSSIBILITIES" FOR MUTUALLY ADVANTAGEOUS ECONOMIC COOPERATION BETWEEN IRAN AND INDIA. HE SAID THAT NEGOTIATIONS WERE ALMOST COMPLETE FOR IRANIAN ASSISTANCE TO ESTABLISH IRON ORE MINE AT KUDREMUKH. HE FORESAW COLLABORATION IN PETROCHEMICALS IN THE FORM OF JOINT VENTURES AND/OR LOANS TO INDIA. HE ALSO MENTIONED THE POSSIBILITY OF IRANIAN FINANCING OF PAPER AND PULP MILLS AND IN DEVELOPING INDIAN AGRICULTURE, PARTICULARLY TO MEET IRAN'S NEED FOR SUGAR.

5. REGARDING POLITICAL RELATIONS, THE SHAH SAID HE WOULD LIKE CLOSER CONTACTS BETWEEN COUNTRIES OF THE SUB-CONTINENT BECAUSE UNCLASSIFIED

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A CLIMATE OF TENSION IN SOUTH ASIA WAS NOT IN IRAN'S INTEREST. PAKISTAN HAD TO REMOVE INDIAN MISGIVINGS THAT IT NURSES A SPIRIT OF REVENGE, AND ON THE OTHER HAND NEW DELHI HAD TO PROVE THAT IT WAS NOT SET ON PAKISTAN'S DESTRUCTION. HE HOPED THAT PAKISTAN AND AFGHANISTAN WOULD START A DIALOGUE TO RESOLVE THEIR DIFFERENCES BUT ACKNOWLEDGED THAT IT WOULD NOT BE EASY TO BRING THEIR LEADERS TOGETHER. HE ALSO REITERATED HIS INTEREST IN EVOLVING A COMMONWEALTH OF STATES ADJOINING THE INDIAN OCEAN.

6. THE SHAH REPEATED HIS CALL FOR A DEFENSE ALLIANCE OF PERSIAN GULF STATES TO ELIMINATE THE POSSIBILITY OF OUTSIDE INTERFERENCE THERE. HE ADDED THAT SUCH COOPERATION SHOULD INCLUDE COORDINATED PLANS FOR ECONOMIC DEVELOPMENT, INCLUDING REGIONALLY-ORIENTED INDUSTRIES.SAXBE

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